

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6412

BILL NUMBER: HB 1273

DATE PREPARED: Nov 19, 2000

BILL AMENDED:

SUBJECT: Sales Tax on Rebates.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the value of a manufacturer's rebate is exempt from the Indiana Gross Retail Tax in a motor vehicle sales transaction if the rebate is assigned to the dealer.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: This bill will decrease the amount of revenue the State receives from the taxation of rebates (on the purchase of a motor vehicle) that are assigned to the dealer. The extent of this reduction is indeterminable given a lack of sales tax data related specifically to motor vehicle rebates. There were 425,328 new cars registered in Indiana in 1999.

Background information: New car manufacturers often provide rebate incentives to encourage consumers to buy new cars. There are generally two types of rebates. Under the first type, manufacturers require that the rebate can only be used to reduce the selling price of the car. Current practice by the Indiana Department of State Revenue considers this type of rebate as a price reduction and therefore not subject to the sales tax. A second type of rebate is a cash rebate. The consumer receives cash rebates after the car is sold. The consumer then has the option of assigning the rebate back to the dealer or taking the cash. This type of rebate is subject to the sales tax because the consumer is not entitled to receive the rebate until the car is purchased. This bill would treat cash rebates which the consumers assign to the dealer as exempt from the sales tax.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Bureau of Motor Vehicles, 1999 Transaction Counts for Statewide Totals; Sales Tax Bulletin #28, Department of State Revenue, June 1992; Automobile Dealers Association of Indiana.